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March 25, 1997

BY HAND DELIVERY

William F. Cator.  
Acting Secretary  
Federal Communications Commission  
Room 222  
1919 M Street, NW  
Washington, DC 20554

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Re: Oral Ex Parte Presentation  
CC Docket No. 96-45

Dear Mr. Caton:

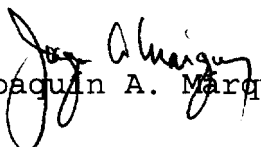
Puerto Rico Telephone Company ("PRTC") hereby gives notice of oral ex parte presentations in the above-referenced proceeding. The arguments delivered in the presentations are summarized in the attached materials that were distributed during the meetings and are consistent with PRTC's prior filings in this proceeding.

On Monday, March 24, PRTC made presentations to Commissioner Chong and members of her staff, James Coltharp of Commissioner Quello's Office, and staff members in the Universal Branch of the Common Carrier Bureau. Today, PRTC made presentations regarding the same proceeding to Jim Casserly of Commissioner Ness' office and Regina Keeney and Tim Peterson of the Common Carrier Bureau.

In addition, PRTC provided additional information regarding rural health care services and providers in Puerto Rico to John Clark of the Universal Service Branch. Information distributed in this meeting is attached as well.

One copy of the materials is submitted herewith along with the original pursuant to Section 1.1206(a)(2) of the Commission's Rules, 47 C.F.R. § 1.1206(a)(2).

Sincerely,

  
Joaquin A. Marquez

DC:36303\_1.WP5

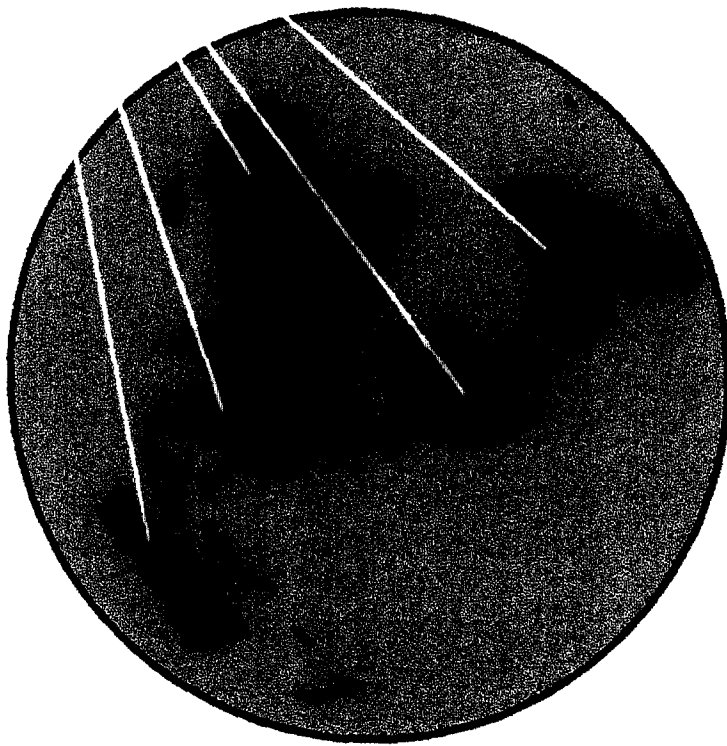
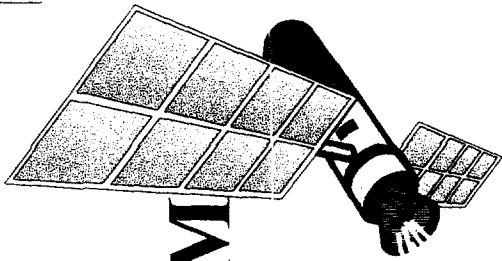
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William F. Caton  
March 25, 1996  
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Enclosures

cc: Commissioner Rachelle Chong  
Regina Keerney  
Daniel Gonzalez  
Anthony Dale  
Gail McGuire  
James Coltharp  
James Casserly  
David Krech  
Pamela Gallant  
Pejal Mehta  
John Clark  
Lisa Boehley  
Timothy Peterson

# UNIVERSAL SERVICE PROGRAM



**BASIC INFORMATION OF**

**PUERTO RICO**

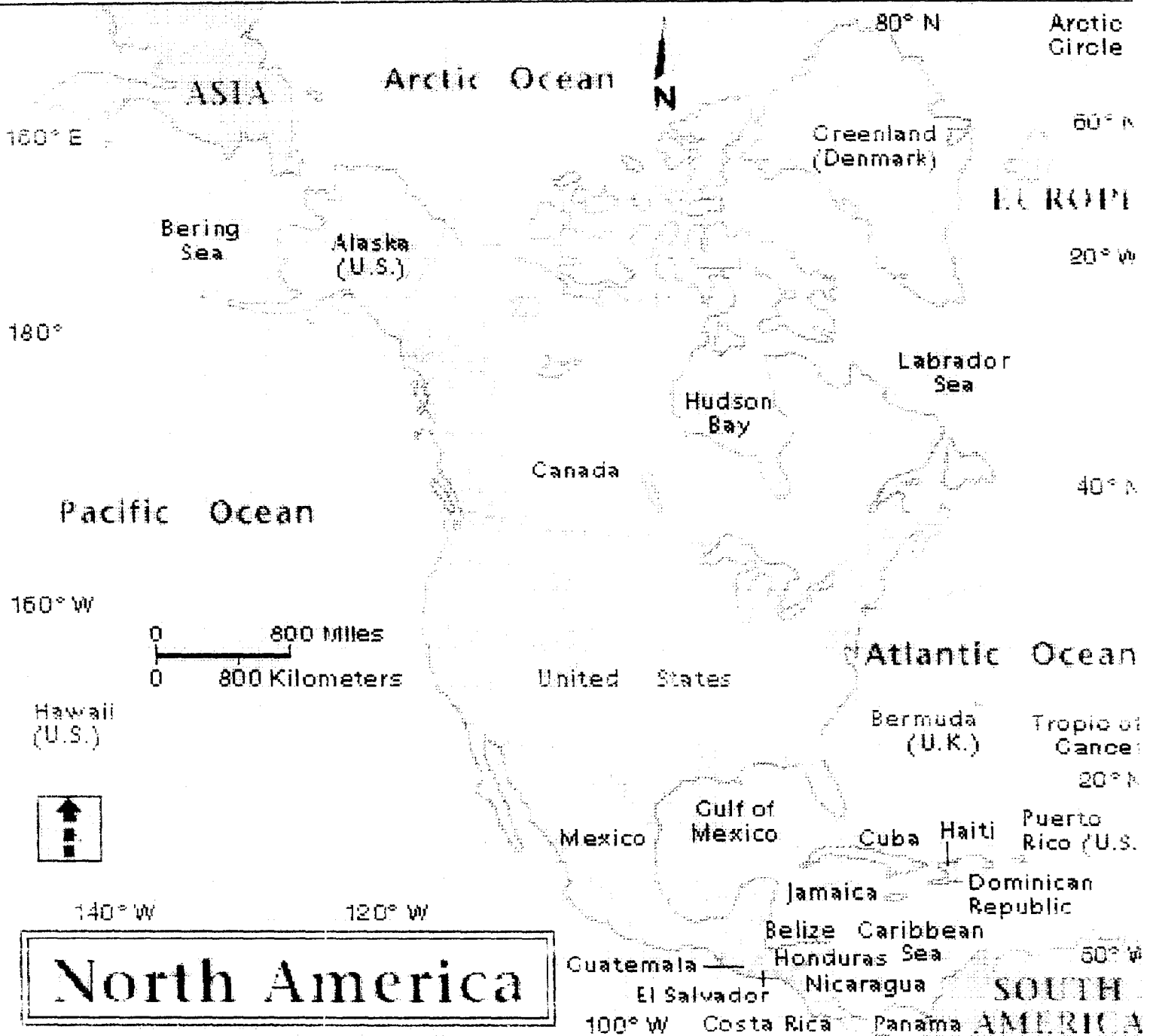
## **BASIC INFORMATION OF PUERTO RICO**

- P. R. IS ONE OF THE MAJOR ANTILLES ISLANDS, LOCATED IN THE CARIBBEAN SEA, 1,650 MILES FROM THE MAINLAND'S NORTHEASTERN COAST
- TWO THIRDS OF ITS TERRITORY ARE COVERED BY A CHAIN OF MOUNTAINS, WITH PEAKS RANGING FROM 1,500 TO GREATER THAN 3,500 FEET

PUERTO RICO  
E ISLAS LIMITROFES

Scale 1:400,000

## North America (Map)



# **STATISTICAL COMPARISON**

## **PUERTO RICO VS. UNITED STATES**

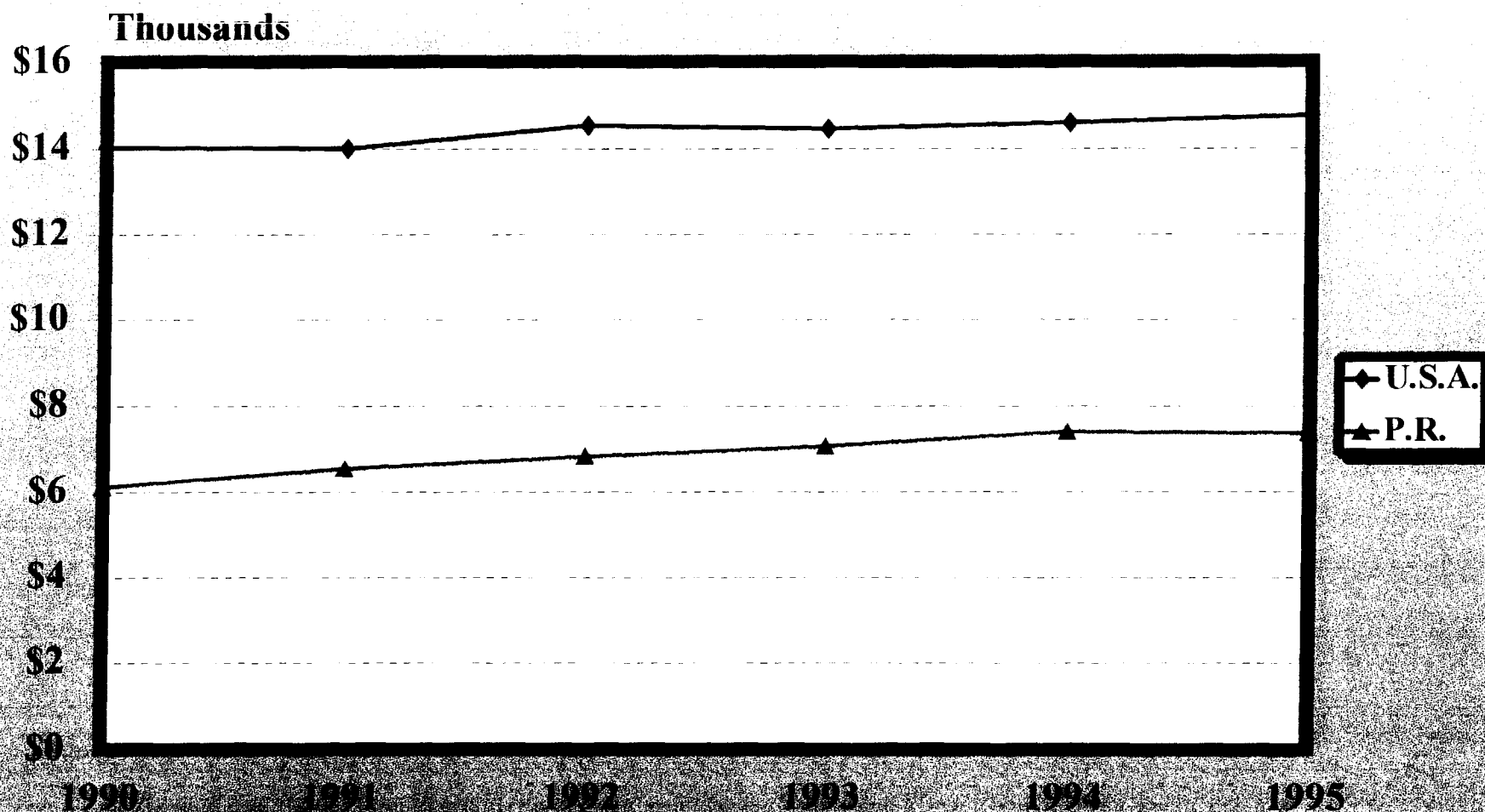
**YEAR 1995**

	<b>P.R.</b>	<b>U.S.</b>
<b>POPULATION</b>	<b>3.74M</b>	<b>262M</b>
<b>GROSS PRODUCT</b>	<b>\$28.4B</b>	<b>\$7,107B</b>
<b>PER CAPITA GROSS PRODUCT</b>	<b>\$8,063</b>	<b>\$27,139</b>
<b>ANNUAL PER CAPITA INCOME</b>	<b>\$7,374</b>	<b>\$14,754</b>
<b>RATE OF INFLATION</b>	<b>4.0%</b>	<b>2.9%</b>
<b>UNEMPLOYMENT RATE</b>	<b>12.5%</b>	<b>5.7%</b>
<b>FAMILIES UNDER POVERTY LEVEL</b>	<b>46.5%</b>	<b>13.8%</b>



# ANNUAL PER CAPITA INCOME

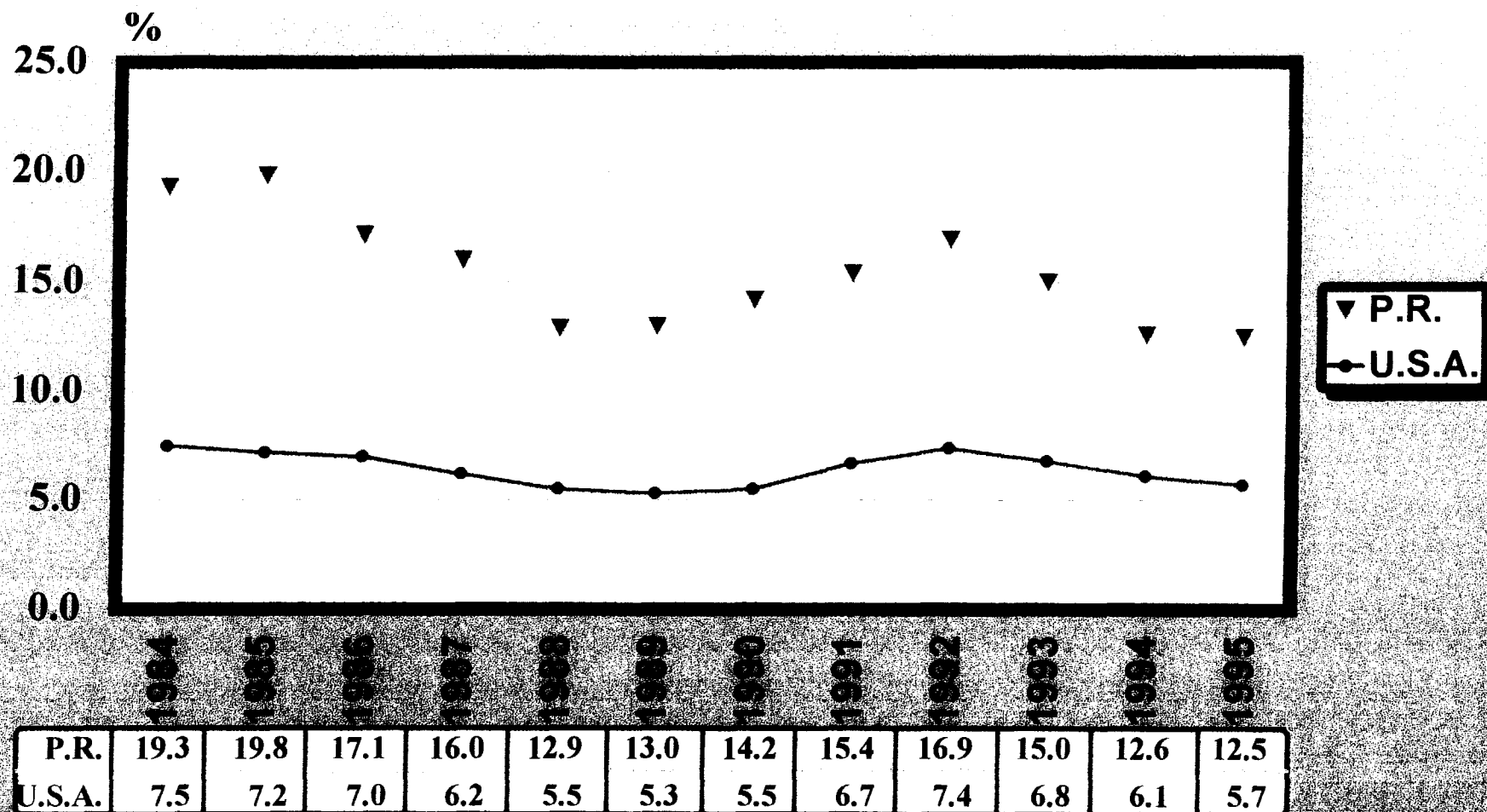
## PUERTO RICO VS. UNITED STATES



U.S.A.	\$14,018	\$13,998	\$14,533	\$14,451	\$14,598	\$14,754
P.R.	\$6,118	\$6,545	\$6,832	\$7,065	\$7,408	\$7,374

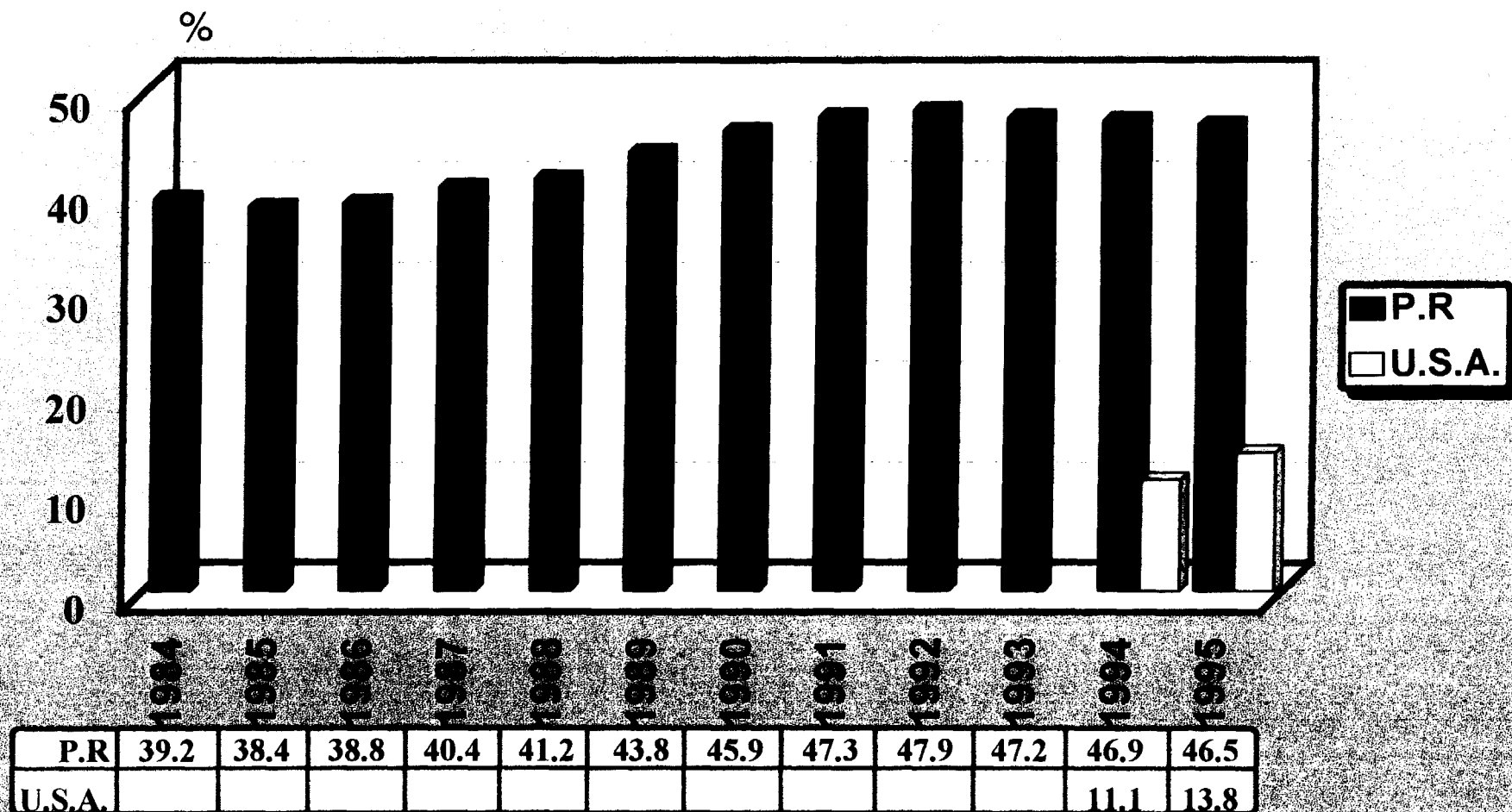
# UNEMPLOYMENT COMPARISON

## PUERTO RICO VS. UNITED STATES



# FAMILIES UNDER POVERTY LEVEL

## (NUTRITIONAL ASSISTANCE PROGRAM)



# PUERTO RICO TELEPHONE COMPANY



# **PUERTO RICO TELEPHONE COMPANY**

## **SERVICES OFFERED**

◆ BASIC LOCAL SERVICES

◆ INTRAISLAND LONG DISTANCE

◆ CELLULAR SERVICES

◆ PAGING SERVICES

◆ PAYPHONE SERVICES

# **SERVICES OFFERED**

**(CONT.)**

◆ **ACCESS SERVICES**

◆ **INTERCONNECTION SERVICES**

◆ **CPE**

◆ **OPERATOR SERVICES**

◆ **DIRECTORY ASSISTANCE**

◆ **TELEPHONE CALL COLLECTION**

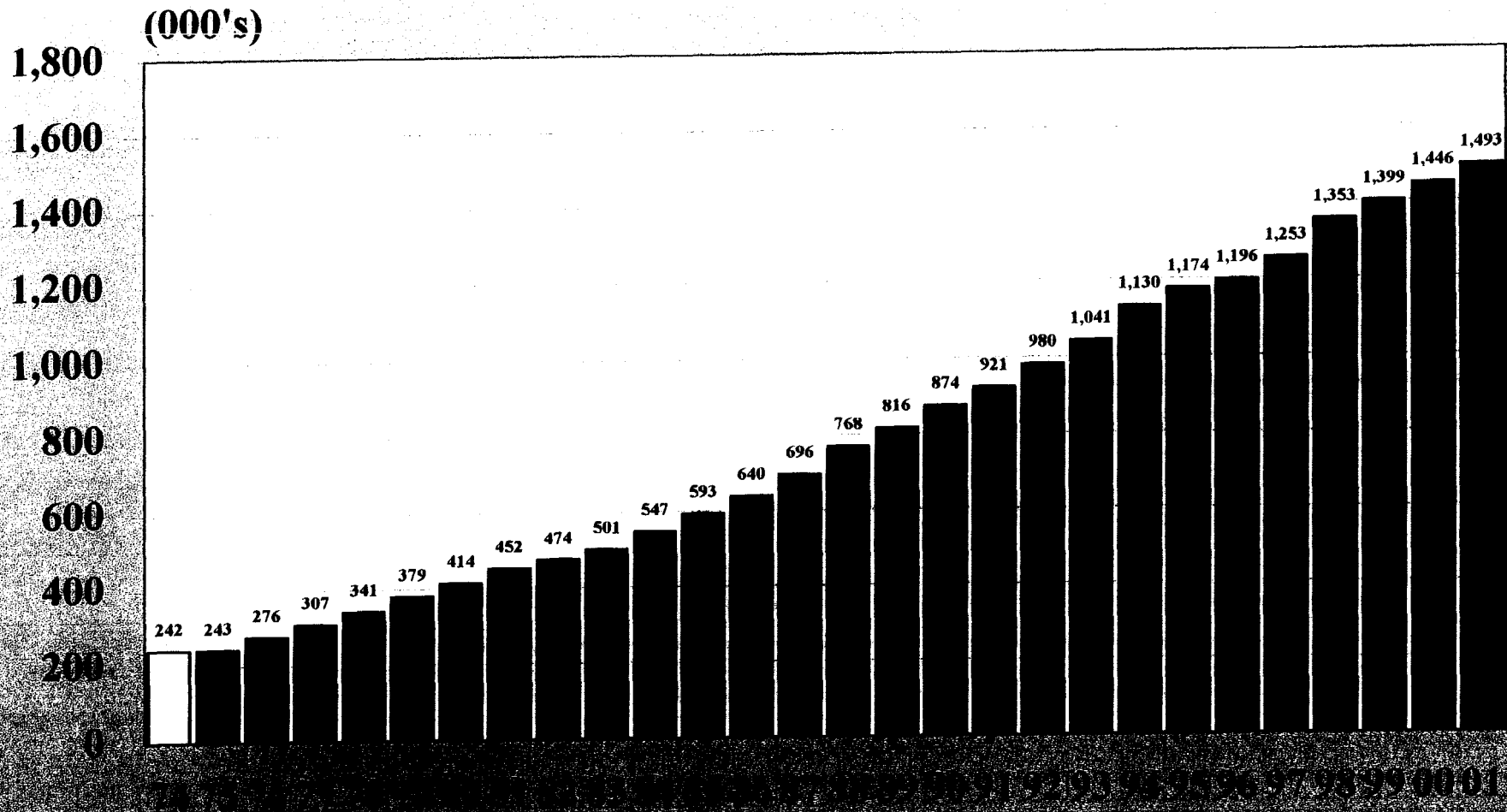
# **PUERTO RICO TELEPHONE COMPANY**

- **P. R. T. C. HAS REALIZED TREMENDOUS EFFORTS TO INCREASE TELEPHONE PENETRATION, DESPITE PUERTO RICO'S LOW INCOME LEVELS AND DIFFICULT ECONOMIC CONDITIONS**
- **P. R. T. C.'s EFFORTS HAVE RESULTED IN INCREASING PENETRATION FROM 25.2% IN 1974 TO 74% IN 1996**
- **PENETRATION IN PUERTO RICO IS STILL FAR BELOW THE UNITED STATES AVERAGE AND THEREFORE U. S. F. ASSISTANCE IS REQUIRED TO HELP ACHIEVE OUR UNIVERSAL SERVICE GOAL**



# PUERTO RICO TELEPHONE COMPANY

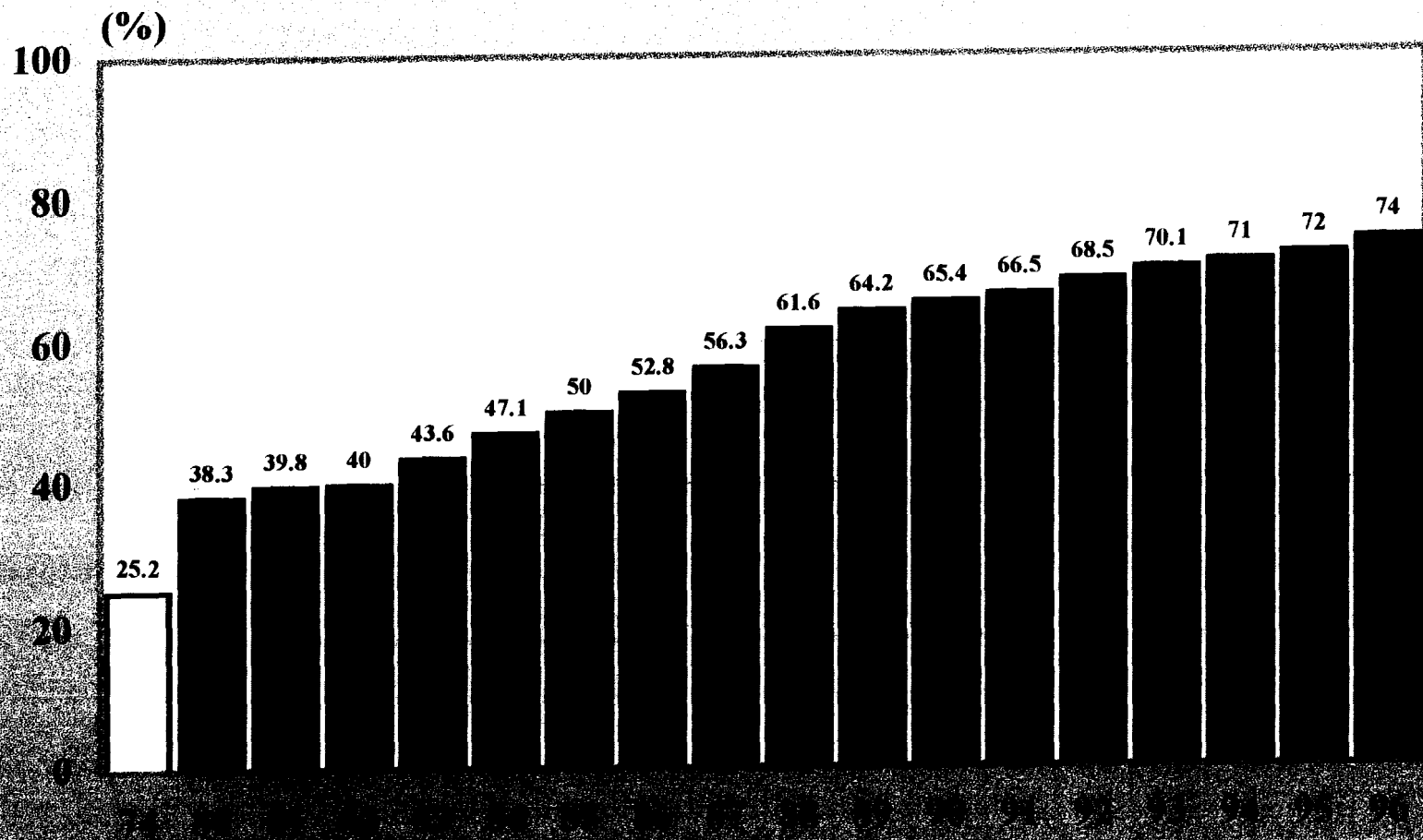
## ACCESS LINES





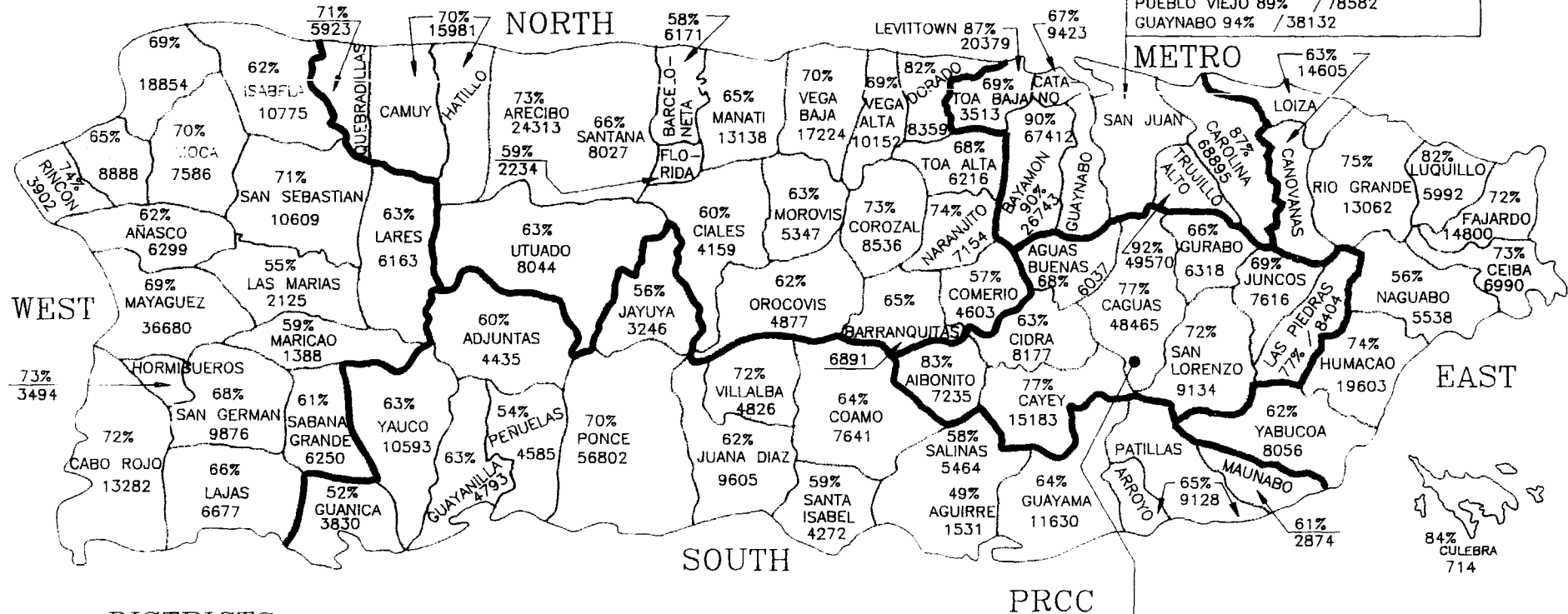
# PUERTO RICO TELEPHONE COMPANY

## TELEPHONE PENETRATION PER 100 HOUSEHOLDS



# PERCENTAGE OF HOUSEHOLDS WITH A TELEPHONE AND TOTAL ACCESS LINES IN--SERVICE DECEMBER 1996

SANTURCE ESTE 68% / 29138  
SANTURCE OESTE 75% / 52930  
HATO REY--RIO PIEDRAS 80% / 121706  
ISLA VERDE 85% / 11864  
PUEBLO VIEJO 89% / 78582  
GUAYNABO 94% / 38132



## DISTRICTS

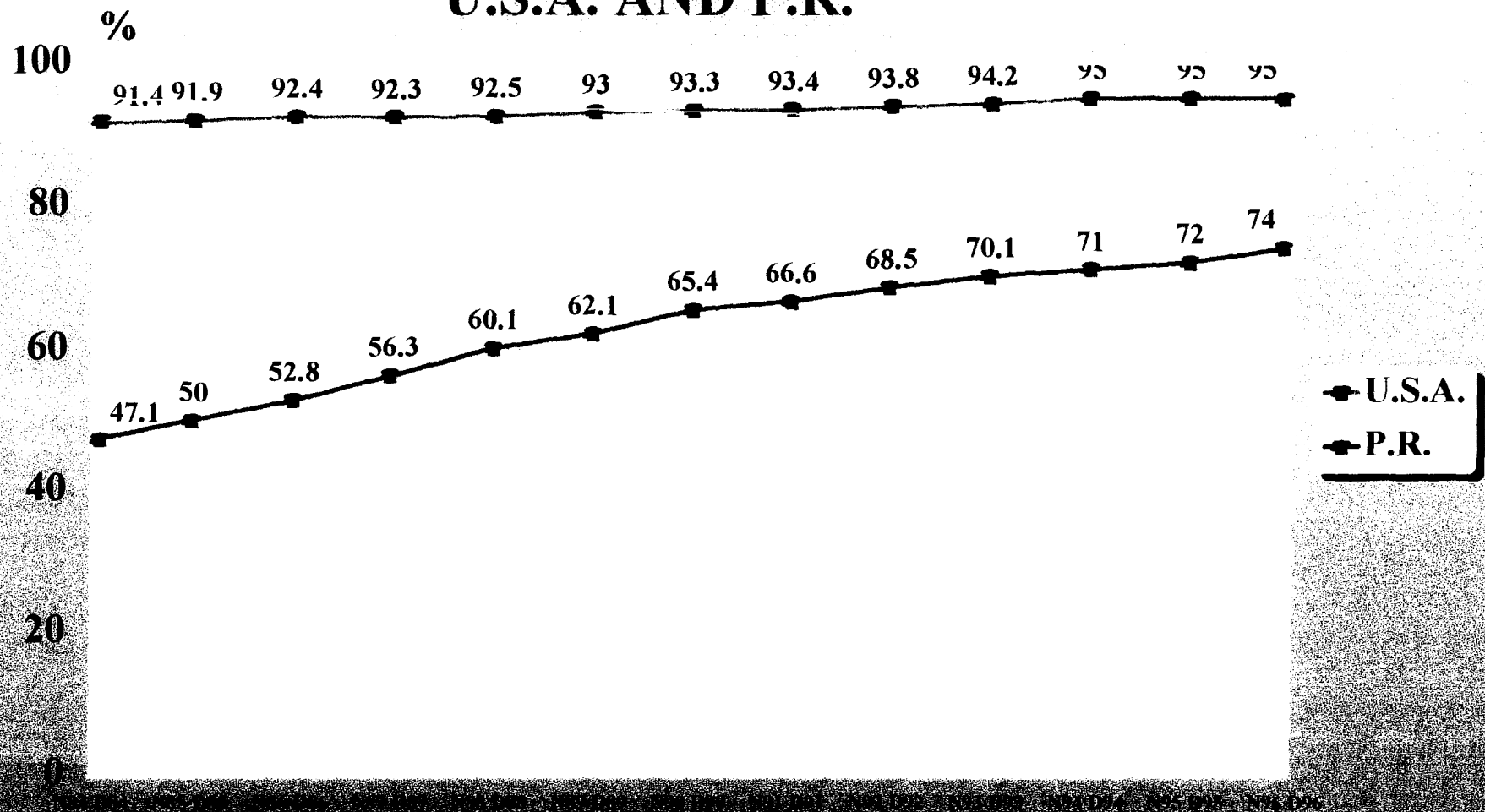
METRO = 85% / 578,287  
NORTH = 68% / 167,349  
SOUTH = 64% / 145,255  
EAST = 69% / 88,646  
WEST = 67% / 152,848  
PRCC = 74% / 120,480

TOTAL P.R.T.C. = 74%  
1,252,865

PUERTO RICO



# **PUERTO RICO TELEPHONE COMPANY** **PERCENTAGE OF HOUSEHOLDS WITH A TELEPHONE** **U.S.A. AND P.R.**



U.S. AND P.R. DATA FOR YEAR  
P.R. AS OF FEBRUARY 1973

JOINT BOARD'S RECOMMENDATIONS  
AND P. R. T. C.'S PROPOSALS

# **UNIVERSAL SERVICE - INSULAR AREAS**

## **ISSUE**

- **THE JOINT BOARD CONCLUDED THAT ONLY RURAL CARRIERS SERVING INSULAR AREAS WOULD BE PERMITTED TO BASE UNIVERSAL SERVICE SUPPORT ON EMBEDDED COSTS.**
- **SECTION 254 (b) (3) OF THE COMMUNICATIONS ACT STATES:**
  - **CONSUMERS IN ALL REGIONS OF THE NATION, INCLUDING LOW - INCOME CONSUMERS AND THOSE IN RURAL, INSULAR, AND HIGH COST AREAS, SHOULD HAVE ACCESS TO TELECOMMUNICATIONS SERVICES...THAT ARE REASONABLY COMPARABLE TO THOSE SERVICES PROVIDED IN URBAN AREAS AND THAT ARE REASONABLY COMPARABLE TO RATES CHARGED FOR SIMILAR SERVICES IN URBAN AREAS.**
- **PRTC WILL NOT QUALIFY UNDER THIS PROPOSAL, EVEN THOUGH IT IS THE ONLY CARRIER IN PUERTO RICO REACHING THOSE UNSERVED AND UNDERSERVED AREAS THAT ARE MOST IN NEED OF UNIVERSAL SERVICE SUPPORT. THUS, THE JOINT BOARD'S PROPOSAL WILL DISQUALIFY PUERTO RICO FROM RECEIVING USF SUPPORT.**



# **UNIVERSAL SERVICE - INSULAR AREAS**

## **IMPACT ON PUERTO RICO**

- **COSTS FOR PROVIDING SERVICE TO INSULAR AREAS ARE HIGHER THAN FOR URBAN AREAS BASED ON:**
  - **UNPREDICTABLE WEATHER PATTERNS, INCLUDING HURRICANES AND TROPICAL STORMS**
  - **TECHNICAL BARRIERS OF PROVIDING TELECOMMUNICATIONS SERVICE ON ANY ISLAND**
  - **COSTS OF SHIPPING**
- **PUERTO RICO IS AN INSULAR AREA, LOCATED 1,000 MILES FROM MIAMI IN THE CARIBBEAN AND 1,650 MILES FROM THE NORTHEASTERN COAST**
- **THE SERVICE PENETRATION RATE IN PUERTO RICO IS 74% - WELL BELOW THE NATIONAL AVERAGE**

# **UNIVERSAL SERVICE - INSULAR AREAS**

## **PRTC PROPOSAL**

- **SECTION 254 (b)(3) RECOGNIZES THAT CARRIERS SERVING INSULAR AREAS FACE INCREASED COSTS FOR THE PROVISION OF TELECOMMUNICATIONS SERVICES**
- **ANY CARRIER SERVING AN INSULAR AREA WILL EXPERIENCE COSTS THAT ARE NOT COMPARABLE WITH THE COSTS OF SERVING AN URBAN AREA, AND THIS DISPARITY OFTEN WILL BE REFLECTED IN THE RATES**
- **THEREFORE, UNIVERSAL SERVICE SUPPORT DESIGNATED FOR PROMOTING UNIVERSAL SERVICE IN INSULAR AREAS SHOULD BE EXTENDED TO ANY ELIGIBLE CARRIER PROVIDING SERVICE IN SUCH AN AREA**

# UNIVERSAL SERVICE AFFORDABILITY

## ISSUE

- THE RECOMMENDED DECISION PROVIDES ONLY THAT STATES SHOULD EXERCISE THE PRIMARY RESPONSIBILITY FOR DETERMINING WHETHER RATES ARE AFFORDABLE



# UNIVERSAL SERVICE AFFORDABILITY

## ISSUE (CONT.)

- **"AFFORDABILITY" IS SET FORTH AS A STANDARD IN TWO UNIVERSAL SERVICE PROVISIONS:**

- ✓ **"QUALITY SERVICE SHOULD BE AVAILABLE AT JUST, REASONABLE AND AFFORDABLE RATES." SECTION 254(b) (1)**

- ✓ **"THE COMMISSION AND THE STATES SHOULD ENSURE THAT UNIVERSAL SERVICE IS AVAILABLE AT RATES THAT ARE JUST, REASONABLE AND AFFORDABLE." SECTION 254(d)**